B 73/990

background notes

Brazil

United States Department of State
Bureau of Public Affairs

October 1990

Official Name: Federative Republic of Brazil

PROFILE

Geography

Area (1989): 8,511,965 sq. km. (3,250,000 sq. mi.). **Cities** (1989): *Capital*—Brasília (pop. 1.8 million). *Other cities*—Sao Paulo (11 million), Rio de Janeiro (6 million), Belo Horizonte (2.3 million), Salvador (2 million), Fortaleza (1.8 million), Recife (1.4 million), Porto Alegre (1.4 million), Curitiba (1.4 million). **Terrain:** Dense forests in northern regions, incl. Amazon Basin; semiarid along northeast coast; mountains, hills, and rolling plains in the southwest (incl. Mato Grosso); and coastal strip. **Climate:** Mostly tropical or semitropical with temperate zone in the south.

People

Nationality: *Noun and adjective*—Brazilian(s). **Population** (1989 est.): 150.1 million. **Annual growth rate** (1989): 2.1%. **Density:** 17.6 per sq. km. (45.6 per sq mi.). **Ethnic groups:** Portuguese, Italian, German, Japanese, African, Indians, principally Tupi and Guarani linguistic stock. **Religion:** Roman Catholic (89%). **Education:** *Literacy*—79% of adult population. **Health:** *Infant mortality rate*—109/1,000. *Life expectancy*—61.2 yrs. **Work force** (1989, 62.5 million): *Agriculture*—25%. *Industry*—25%. *Services*—40%. *Trade union membership*—about 6 million.

Government

Type: Federative Republic. **Independence:** September 7, 1822. **Constitution:** Promulgated October 5, 1988.

Branches: *Executive*—president (chief of state and head of government) popularly elected to a single 5-year term. *Legislative*—Senate (81 members popularly elected to 8-year terms), Chamber of Deputies (495 members popularly elected to 4-year terms). *Judicial*—Supreme Federal Tribunal.

Political parties (with congressional representation): Brazilian Democratic Movement Party (PMDB), National Reconstruction Party (PRN), Liberal Front Party (PFL), Democratic Social Party (PDS), Democratic Workers Party (PDT), Workers Party (PT), Brazilian Labor Party (PTB), Liberal Party (PL), Brazilian Socialist Party (PSB), Communist Party of Brazil (PC do B), Brazilian Communist Party (PCB), Christian Democratic Party (PDC), Brazilian Social Democratic Party (PSDB). **Suffrage:** Compulsory from 18–70.

Subdivisions: 26 states, federal district (Brasília).

Defense: 2.6% of 1990 government budget.

Flag: A yellow diamond on a green field; a blue globe with 23 white stars and a band with "Ordem e Progresso" centered on the diamond. The globe represents the sky and the vastness of the states and capital, and green and yellow signify forest and mineral wealth.

Economy

GDP (1988): $362 billion. **Annual real growth rate** (1985–88): 5%. **Per capita GDP** (1988): $2,434.

Natural resources: Iron ore, manganese, bauxite, nickel, uranium, gemstones, oil.

Agriculture (12% of GDP): *Products*—coffee, soybeans, sugarcane, cocoa, rice, beef, corn, oranges, cotton, wheat. *Land*—17% arable, cultivable, or pasture.

Industry: *Types*—steel, chemicals, petrochemicals, machinery, motor vehicles, consumer durables, cement, lumber, shipbuilding.

Trade (1988): *Exports*—$33.8 billion. *Major markets*—US 26%, Japan 7%, Netherlands 5%, FRG 4%, Italy 4%, Argentina 3%. *Imports*—$14.7 billion. *Major suppliers*—US 21%, FRG 10%, Japan 7%, Argentina 5%, France 4%.

Official exchange rate: Cr 72.3=US$1 (Aug. 1990; changes frequently).

Foreign direct investment and reinvestment in Brazil (registered with Central Bank as of June 1988): $30.7 billion. *Sources*—US $8.7 billion (28%); FRG $4.8 billion (16%) Japan $2.9 billion (10%) Switzerland $2.9 billion (9%), UK $1.9 billion (6%), Canada $1.4 billion (5%).

Fiscal year: Calendar year.

Membership in International Organizations

UN and some of its specialized and related agencies, World Bank and the International Monetary Fund; General Agreement on Tariffs and Trade (GATT); Inter-American Development Bank (IDB); Organization of American States (OAS), Rio Pact, Latin American Integration Association (ALADI); International Sugar Organization (ISO); International Cocoa Organization (ICCO); International Coffee Organization; INTELSAT; Group of 77.

S1.123:

READEX PICKS best copy available

ATLANTIC OCEAN
VENEZUELA
COLOMBIA
PERU
BOLIVIA
PARAGUAY
CHILE
ARGENTINA
PACIFIC OCEAN
AMAZONAS
PARA
AMAPA
RORAIMA
MARANHAO
PIAUI
CEARA
RIO GRANDE DO NORTE
PARAIBA
PERNAMBUCO
ALAGOAS
SERGIPE
BAHIA
GOIAS
MATO GROSSO
MATO GROSSO DO SUL
MINAS GERAIS
ESPIRITO SANTO
RIO DE JANEIRO
SAO PAULO
PARANA
SANTA CATARINA
RIO GRANDE DO SUL
ACRE
RONDONIA
Brazil
international boundary
Estado or territorio boundary
National capital
Estado or territorio capital
Railroad
Paved road
Unpaved road
Airport
500 Kilometers
500 Miles

PEOPLE

With an estimated population of 150 million, Brazil is the most populous country in Latin America and ranks sixth in the world. Most of the people live in the south-central area, which includes the industrial cities of Sao Paulo, Rio de Janeiro, and Belo Horizonte. Urban growth has been rapid; by 1984 the urban sector included more than two-thirds of the total population. Increased urbanization has aided economic development but, at the same time, has created serious social and political problems in the major cities.

Four major groups make up the Brazilian population: indigenous Indians of Tupi and Guarani language stock; the Portuguese, who began colonizing in the 16th century; Africans brought to Brazil as slaves; and various European and Asian immigrant groups that have settled in Brazil since the mid-19th century. The Portuguese often intermarried with the Indians; marriage with slaves was common. Although the basic ethnic stock of Brazil was once Portuguese, subsequent waves of immigration have contributed to a rich ethnic and cultural heritage.

From 1875 until 1960, about 5 million Europeans emigrated to Brazil, settling mainly in the four southern states of Sao Paulo, Parana, Santa Catarina, and Rio Grande do Sul. In order of numbers, after the Portuguese, the immigrants have come from Italy, Germany, Spain, Japan, Poland, and the Middle East. The largest Japanese community outside Japan is in Sao Paulo. Despite class distinctions, national identity is strong, and racial friction is a relatively new phenomenon.

Indigenous full-blooded Indians, located mainly in the northern and western border regions and in the upper Amazon Basin, constitute less than 1% of the population. Their numbers are rapidly declining as contact with the outside world and commercial expansion into the interior increase. Brazilian government programs to establish reservations and to provide other forms of assistance have been in effect for years but are increasingly controversial.

Brazil is the only Portuguese-speaking nation in the Americas. About 90% of the population belongs to the Roman Catholic Church, although many Brazilians adhere to Protestantism and spiritualism.

As its geography, population size, and ethnic diversity would imply, Brazil's cultural profile and achievements are extensive, vibrant, and constantly changing. Popular culture predominates, with a thriving popular music industry, relatively active cinema, and a highly developed television empire, producing an enormous number of soap operas (telenovelas) that have found a world market. The visual arts, especially painting, are lively, while literature and the theatre, although important, play a less prominent role in this fast-moving, media-oriented society.

Traditionally, Brazilian culture has developed around regional subjects, with the country's northeast normally identified with national themes, both nativist and Afro-Brazilian, while the urban centers of Sao Paulo and Rio de Janeiro have demonstrated a tendency toward a more international, and European-oriented expression. With the post-1964 push to a more integrated national culture, these tendencies have diminished somewhat but remain central to understanding the uniqueness of this vast nation.

HISTORY

Recent archeological discoveries suggest that Brazil may have been inhabited as long ago as 40,000 years. Additional research must be undertaken before these hypotheses, which may push the history of Western Hemisphere human occupation back by as many as 20,000 years, are universally accepted. In addition, there is continuing speculation that Brazil may have been visited by the 15th century Portuguese explorers who sailed widely in the South Atlantic, trading with Africa and settling the Azores and Madeira Islands.

Brazil was formally claimed in 1500 by the Portuguese navigator Pedro Cabral. It was ruled from Lisbon as a colony until 1808 when the Portuguese royal family, having fled from Napoleon's army, established the seat of government first in Salvador and later in Rio de Janeiro. Brazil became a kingdom under Dom Joao VI, who returned to Portugal in 1821, leaving his son, Dom Pedro I, as regent. Dom Pedro I successfully declared Brazil's independence on September 7, 1822, and became emperor. Dom Pedro II, ruled from 1831 to 1889, when a federal republic was established.

From 1889 to 1930, the government was a constitutional democracy with a limited franchise. The presidency alternated between the dominant states of Sao Paulo and Minas Gerais. This period ended with a military coup by Getulio Vargas, who remained as dictator until 1945. From 1945 to 1961, Eurico Dutra, Vargas, Juscelino Kubitschek, and Janio Quadros were the elected presidents. When Quadros resigned in 1961, he was succeeded by Vice President Joao Goulart.

Goulart's years in office were marked by high inflation, economic stagnation, and the increasing influence of radical political philosophies. The armed forces, alarmed by these developments, staged a coup on March 31, 1964. The coup leaders chose as president Army Marshal Humberto Castello Branco, who was elected by the National Congress on April 11, 1964. Castello Branco was followed by retired Army Marshal Arthur da Costa e Silva (1967–69), Gen. Emilio Garrastazu Medici (1969–74), and retired Gen. Ernesto Geisel (1974–79). Geisel began the political liberalization process, known as abertura or "opening," which was carried further by his successor, Gen. Joao Baptista de Oliveira Figueiredo (1979–85). Figueiredo not only permitted the return of politicians exiled or banned during the 1960s and early 1970s but also allowed them to run for state and federal offices in 1982, including the first direct elections for governor since 1966.

However, the electoral college, consisting of all members of Congress and six delegates chosen from each state, continued to choose the president. In January 1985, the electoral college picked Tancredo Neves from the opposition Brazilian Democratic Movement Party (PMDB). However, Tancredo Neves became ill in March and died a month later. His vice president, the former Senator Jose Sarney, who had been acting president since inauguration day, became president upon Neves' death.

Brazil completed its transition to a popularly elected government in 1989, when Fernando Collor de Mello won 53% of the vote in the first direct presidential elections in 29 years.

GOVERNMENT

Brazil is a federative republic with broad powers granted to the federal government. A Constituent Assembly drafted a new constitution in late 1988. At the national level, the constitution establishes a presidential system with three "independent and harmonious powers"—executive, legislative, and judicial. It forbids delegation of powers and provides for a series of checks and balances.

The president is assisted by a vice president (elected with the president), a presidentially appointed cabinet, and specialized administrative and advisory bodies.

The bicameral National Congress consists of 81 Senators (three for each state and the federal district) elected to 8-year terms, and 496 Deputies elected at large in each state to 4-year terms. The elections are based on proportional representation weighted in favor of less populous states. The next congressional elections are scheduled for October 1990.

The apex of the judicial system is the Supreme Federal Tribunal. Its 11 Justices, including the Chief Justice, are appointed by the president to serve until age 70.

Brazil is divided administratively into 26 states and a federal district, Brasilia. The framework of state and local governments closely parallels that of the federal government. Governors, elected for 4-year terms, have more limited powers than do their counterparts in the United States. This is due to the highly centralized nature of the Brazilian system. The limited taxing authority granted to states and municipalities—the only territorial subdivisions of the states—further weakens their power.

The federal district, which moved from Rio de Janeiro to Brasilia in April 1960, is governed by a governor and vice governor, both of whom will be chosen in direct elections in 1990.

Principal Government Officials

President—Fernando COLLOR de Mello
Vice President—Itamar FRANCO
Foreign Affairs—Jose Francisco REZEK

Ambassador to the United States—
Marcilio M. Moreira
Ambassador to the United Nations—
Paulo Nogueira

Brazil maintains an embassy in the United States at 3006 Massachusetts Avenue NW., Washington, DC 20008 (tel. 202-745-2700). Brazil maintains consulates general in New Orleans, New York, Chicago, and Los Angeles, and consulates in Miami, Houston, Dallas, San Francisco, and Atlanta.

POLITICAL CONDITIONS

Following the 1964 military coup, the 13 existing political parties were abolished, and two political organizations, the pro-government National Renewal Alliance (ARENA) and the opposition Brazilian Democratic Movement (MDB), were formed. In 1979, under a government-sponsored bill approved by the congress, this two-party system was abolished, and a multiparty system was allowed to reemerge. In 1989, more than 20 political parties participated in the campaign. The major parties are:

PMDB—Brazilian Democratic Movement Party (Partido do Movimento Democratico Brasileiro). The country's largest party suffered defections in the 1989 campaign. Known as the MDB from 1966 to 1979, under military-dominated governments, the PMDB includes politicians ranging from conservative to left of center. Most state governors and almost all PMDB cabinet members belong to the conservative wing of the party. PMDB popular support is strongest in urban areas.

PFL—Liberal Front Party (Partido da Frente Liberal). The country's second largest party; defeated in the 1989 presidential campaign, it is now aligned with President Fernando Collor de Mello. The PFL espouses views similar to those of the PDS, but looks to different political leaders and maintains fewer ties to the military establishment. The PFL is strongest in medium-sized towns and the more conservative cities, especially in the northeast. It was founded in 1985 by Democratic Social Party (PDS) dissidents.

PSDB—Brazilian Social Democracy Party (Partido da Social Democracia Brasileira). Led by Senator Mario Covas, the PSDB was founded in 1988 and includes prominent politicians who quit the PMDB, PFL, and PDT over political differences with national or state leaders of those parties. The PSDB advocates adoption of a parliamentary system of government in Brazil.

PDS—Democratic Social Party (Partido Democratico Social). Founded in 1982, the PDS is the modern version of the ARENA party, which represented GOB interests during 21 years of military-dominated governments (1964–85). It advocates using foreign capital for economic development. Its popular support is greatest in certain rural strongholds and among upper/middle class in urban areas.

PDT—Democratic Workers Party (Partido Democratico Trabalhista). The PDT is a populist party led by Leonel Brizola. It is strongest in Rio de Janeiro and Rio Grande do Sul, where Brizola was governor. Much of its support comes from slum dwellers and the rural poor. Founded in 1980 by former members of the Brazilian Labor Party (PTB).

PTB—Brazilian Labor Party (Partido Trabalhista Brasileiro).

The PTB, founded in 1945, is a populist party without a major national leader. It strongly supports organized labor but advocates center-right positions on many economic issues. PTB was the party of Getulio Vargas, one of Brazil's most popular presidents. For several decades, beginning in 1945, the PTB exercised political control over Brazil's labor sector. PTB support currently is strongest among urban working class, professionals, and small shopkeepers, particularly in Sao Paulo and Parana states.

PT—Workers' Party (Partido dos Trabalhadores). Formed in 1978, the PT is Brazil's "European-style" leftist party, with a clearly defined ideology and program, strict party discipline, a hierarchical structure, and internal party democracy. It is strongest among intellectuals, organized labor, and the economically disadvantaged. It draws considerable support from the liberation-theology wing of the Catholic Church and from the labor confederation, the sole Workers Central (CUT). In 1988, it won mayoralities of important industrial cities, including that of Luiza Erundina in Sao Paulo and Olivio Dutra in Porto Alegre. In 1989, PT presidential candidate Luiz Inacio Lula da Silva lost to Collor in the second-round run-off election.

PL—Liberal Party (Partido Liberal).

The PL is a center-right party that is popular among small businessmen and has growing strength in Sao Paulo and Rio de Janeiro. Presidential candidate Guilherme Afif Domingos has given the party greater name recognition.

PRN—National Reconstruction Party (Partido da Reconstrucao Nacional). The PRN was created by Collor in 1989 and served as the vehicle for his 1989 presidential campaign. Collor and his advisers generally advocate free-market solutions to Brazil's economic problems. His electoral support was greatest in rural areas and in small towns across the country.

PCB—Brazilian Communist Party (Partido Comunista Brasileiro). Founded in 1922, the PCB is ideologically communist but has cooperated with mayors and governors of more moderate parties. It supported the Sarney administration. It maintians ties with West European communist parties and identifies with Soviet President Gorbachev's reforms.

PC do B—Communist Party of Brazil (Partido Communista do Brasil). The PC do B generally advocates more "revolutionary" positions than the PCB but has supported noncommunist candidates. Its electoral support is based within the universities. Former PCB members founded the party in 1961. In the presidential elections, the PC do B was one of three parties in the Brazilian Popular Front (PF) coalition formed to support the PT candidacy of Lula.

PSB—Brazilian Socialist Party (Partido Socialista Brasileiro). Founded in 1946, the PSB, a leftist party enjoying little popular support, was the third partner in Lula's PF.

Brazil also boasts several dozen small parties, some of which (e.g., National Mobilization Party—PMN, Christian Democratic Party—PDC) are significant in specific regions or states.

ECONOMY

Brazil is a country rich in resources in resources and natural advantages. To date, however, its economic performance has lagged behind its potential. Economically, it is a country of contrasts ranging from sophisticated economic centers around Sao Paolo to relatively undeveloped trading outposts on the Amazon. Industrial development has been concentrated in the southeastern states of Rio de Janeiro, Sao Paulo, Parana, and Rio Grande do Sul but is now expanding to include the northeast and center west.

In 1988, Brazil's gross domestic product (GDP) totaled $352 billion, with an estimated per capita GDP of $2,434. During the 1960s, GDP rose at an annual rate of more than 6%. It slowed from 1963 to 1965 but averaged above 11% annually during the 1968–73 "economic miracle." Growth slowed between 1974–80 and from 1981 to 1983 was either negative or nominal. In 1984, the economy began to improve again, and during 1985–86, GDP grew more than 8% per year. After slowing in 1987, growth dropped in 1988 to a negative -0.3% but climbed again in 1989 to 3%–4%.

Agriculture, Industry, and Natural Resources

About one-half of Brazil is covered by forests. The largest rainforest in the world is located in the Amazon Basin and is so impressive in character and extent that the entire Amazon region is identified with it. Recent migrations into the Amazon region and controversial large-scale burning of forest areas placed the international spotlight on Brazil. The government has since reduced incentives for such activity and has begun to implement an ambitious environmental plan.

Eastern Brazil has tropical and semideciduous forests and soil of limited agricultural value; the nutrients in the small amount of humus usually are exhausted after only a few years of farming. The softwood forests of the southern highlands still provide a substantial portion of the construction timber used in Brazil. However, fears that these forests are being cut down so fast that they are in danger of extinction within the next few decades have led the industry to move north. Major timber supplies for domestic and export markets now come from the tropical hardwoods of the Amazon. The thorn forests of the northeastern interior contain dry, cactus-infested, drought-resistant vegetation, its sparseness due as much to overgrazing and overcultivation as to the unreliability of rainfall.

In Central Brazil, the states of Mato Grosso, Mato Grosso do Sul, Goias, and parts of Minas Gerais and Sao Paulo contain substantial areas of grassland, with only scattered trees. Unlike the plains of North America, the Brazilian grasslands are less fertile, and large areas of these grasslands are best suited to pastures.

The agricultural sector employs 35% of Brazil's population and accounts for about 12% of its GDP and almost 40% of the country's exports. Except for wheat, Brazil is largely self-sufficient in food. It is the world's leading exporter of coffee and orange juice concentrate; the second largest exporter of cocoa and soybeans; and a major exporter of sugar, meat, and cotton. During the past decade, in an effort to expand its agricultural exports, Brazil began opening new regions to cultivation. The most important of these are devoted to soybean production in Mato Grosso do Sul, Rio Grande do Sul, Sao Paulo, Parana and, more recently, Minas Gerais and Goias. Brazil also has expanded cultivation of sugarcane, the raw material used to produce the ethyl alcohol fuel that powers more than half of the nation's cars.

Brazil's power, transportation, and communications systems generally have kept pace with development, but, in recent years, facilities in some areas have not met demand due to lack of investment and maintenance funds. The country has a large and increasingly sophisticated industrial base, producing basic industrial products such as steel, chemicals, and petrochemicals and finished consumer goods and aircraft. A computer industry is also emerging. Within the past decade, industry has been the greatest contributor to economic growth. Today, it accounts for nearly 35% of GDP and 60% of exports.

Brazil is one of the world's leading producers of hydroelectric power, with a potential of 106,500 megawatts. Existing hydroelectric plants provide 90% of the nation's electricity. Two large hydroelectric projects, the 12,600-megawatt Itaipu Dam on the Parana River — the world's largest dam — and the Tucurui Dam in Para in northeast Brazil are in operation.

Proven mineral resources are extensive, and additional exploration is

Travel Notes

Entry requirements: Visas are required of US citizens. No inoculations are required for entry. Within Brazil, travelers may be required to present a yellow fever certificate when transiting between certain cities.

Climate and clothing: In most parts of the country, days range from warm to hot, except during the rainy period from November through February. The extreme south of Brazil does get cold during the winter (June-August). Wear spring or summer clothes.

Health: Sanitation facilities in many places are being expanded. Carefully prepared and thoroughly cooked foods are safe for consumption. Tapwater is not recommended. Yellow fever, rabies, gamma globulin, typhoid, and polio immunizations are recommended.

Telecommunications: Telegraph and long distance telephone services are good. Brasilia is two time zones ahead of eastern standard time; however, time differences vary, due to daylight savings time, in both Brazil and the United States.

Transportation: Direct air service is available. Rio is the normal point of entry, but Sao Paulo, Manaus, Recife, and Belem also have international flights. Domestic flights are expensive. Trains are limited. Inter-city buses run frequently and are inexpensive but often crowded. Metered taxis with red license plates have relatively low rates after 11 pm and on weekends. Tipping is the same as in the US. The highway system in southeastern Brazil and as far north as Salvador is adequate, but road maintenance is sometimes incomplete.

Security: Street crime is common in Brazil's larger cities and tourists should take precautions such as not wearing jewelry, flashing money, or otherwise calling attention to expensive personal belongings. For more information, check the Department of State's *Tips for Travelers*.

Available from the Superintendent of Documents, US Government Printing Office, Washington, DC 20402:

American University. *Area Handbook for Brazil*. 1983.

US Department of Commerce. *Overseas Business Reports. Foreign Economic Trends.*
Foreign Labor Trends.

US Department of State. *Key Officers of Foreign Service Posts (Guide for Business Representatives)*. Revised triannually.

expanding the resource base. Large iron and manganese reserves provide important sources of industrial raw materials and export earnings. Deposits of nickel, tin, chromite, bauxite, beryllium, copper, lead, tungsten, zinc, and gold, as well as lesser known minerals, are exploited. Oil exploration is less urgent now, because of Brazil's reduced dependence on oil and to lower world prices. High-quality coal, especially of the coking grade required in the steel industry, is in short supply. The government is beginning to implement coal extraction and gasification projects to tap Brazil's ample deposits of low-grade coal in the south.

Brazil's first commercial nuclear reactor, Angra I, located near Rio de Janeiro, began operating in early 1982. Site preparations began the same year for Angra II and III. With a combined capacity of 1,245 megawatts, these are the first of eight nuclear plants envisioned under the 1975 nuclear accord between the Federal Republic of Germany and Brazil. However, continued troubles with Angra I and scarce funds have slowed construction of nuclear plants, limiting expansion for the foreseeable future to the two reactors already under construction. Brazil also is engaged in research to master the nuclear fuel cycle.

The Brazilian government has undertaken an ambitious program to reduce dependence on imported oil. Imports previously accounted for more than 70% of the country's oil needs but now account for only 50%. In addition to developing hydroelectric, nuclear, and coal resources, Brazil has become a world leader in the development of alcohol fuel derived from sugarcane. Brazilian automotive gasoline is a mixture containing up to 22% ethyl alcohol. Its auto manufacturers began large-scale production of 100% alcohol-powered cars in 1979, and today more than 1.5 million are on the road. Alcohol production has not kept pace, however, leading to alcohol shortages in 1989–90. The Collor government cut alcohol subsidies, and car makers have regarded to increase production of gasoline-powered automobiles.

Economic Strategy

Following the 1964 coup, the Brazilian government focused on two major economic goals, high growth rates and control of inflation.

In the 1970s, escalating oil prices, governmental indebtedness, and high interest rates brought the Brazilian economy to a virtual standstill, forcing reduced government expenditures and subsidies and income tax increases. Nevertheless, budget deficits have persisted. The combined public sector deficit in 1989 was at least 7% of GDP.

Taking office in 1985, the Sarney administration brought inflation to a halt by freezing all prices and ending indexation of wages and other facets of the economy. Real wage increases led to a consumer spending boom which created shortages and tight profit margins. This plan collapsed in November 1986, and inflation rose to record heights—1,700%—in 1989. In addition, high levels of imports so reduced foreign exchange reserves that interest payments on foreign loans were suspended in February 1987. Foreign indebtedness rose to $112 billion (about $18 billion is held by US commercial banks), the largest of any developing country. Debt service claimed most of Brazil's balance of payments, and periodically the federal government has suspended some forms of debt service, including a de facto moratorium on payments to commercial banks in September 1989.

In the spring of 1990, President Collor introduced measures to stabilize and liberalize the economy. The initial phase of the program, which focused on drastically reducing liquidity and cutting inflation, appeared to be achieving its objectives. Inflation slowed nearly to zero within the first month, rising gradually to about 10% monthly by August. Although fiscal and monetary performance to date have been convincing, it is still too early to guage whether Brasilia will be successful over the long-term in eliminating government red ink. Collor has put into place the administrative machinery to implement an ambitious privatization program and has opened Brazil's markets to foreign goods.

Foreign direct investment represents a relatively small but important part of Brazil's capital base. The share of foreign direct investment and reinvestment registered with the central investments totaled $8.7 billion, largely in manufactur-

ing and finance. The constitution restricts the entry of new foreign investors in the financial services area, although US and other foreign institutions established before the prohibition continue to have a prominent role. The constitution also contains provisions that restrict investment in petroleum and minerals exploration, health care, chemicals, biotechnology, and new materials. The congress has not yet completed legislation on foreign investment.

Trade and Investment

Brazil's industrial development strategy through the 1980's was based on a policy that combined import substitution, foreign investment, and government participation in and regulation of the economy. This policy contributed to significant growth and, in the late 1980's, to large trade surpluses. The country recorded a $19 billion surplus in 1988 and $16 billion in 1989—a remarkable turnaround from the deficits experienced at the beginning of the decade.

FOREIGN RELATIONS

Traditionally, Brazil has been a leader in the inter-American community and has played an important role in collective security efforts as well as in economic cooperation in the Western Hemisphere. Brazil aligned with the allies in both World Wars and, during World War II, its expeditionary force in Italy played a key role in the allied victory at Monte Castello. It is a party to the Inter-American Treaty of Reciprocal Assistance (Rio treaty) and the Organization of American States (OAS). In recent years, Brazil has given high priority to expanding relations with its South American neighbors and is a founding member of the Amazon Pact and the Latin American Integration Association (ALADI), the successor to the Latin American Free Trade Association (LAFTA).

Brazil is a charter member of the United Nations and participates in many of its specialized agencies. It has contributed troops to UN peacekeeping efforts in the Middle East, the former Belgian Congo, and Cyprus.

As Brazil's domestic economy has grown and diversified, the country has become increasingly involved in international politics and economics. The United States, Western Europe, and Japan are primary markets for Brazilian exports and sources of foreign lending and investment. Brazil's dependence on imported petroleum has resulted in more intensive political and economic ties with Middle Eastern countries. In the 1970s, Brazil expanded its relations with black African countries. In 1986, it introduced a proposal at the UN General Assembly to establish a Zone of Peace and Cooperation in the South Atlantic. As an indication of Brazil's broader international role, trade with other developing countries increased from 9% of the total in the 1970s to nearly 30% in 1983.

The Brazilian Government has diplomatic relations with the USSR, China, all of the Eastern and Central European countries, and Cuba but not with Vietnam, Cambodia, or North Korea.

US-BRAZILIAN RELATIONS

The United States was the first country to recognize Brazil's independence in 1822. Brazil's 19th-century leader, Emperor Dom Pedro II, admired Abraham Lincoln and visited the United States during the 1876 centennial. President Eisenhower was given a hero's welcome when he visited Brazil in 1960. Presidents Roosevelt and Truman made earlier visits; President Carter visited in 1978 and President Reagan in 1982. President Sarney visited the United States in 1986.

In the 1950s and 1960s, Brazil received about $2.4 billion in US economic assistance—$1.4 billion under the auspices of the US Agency for International Development (AID) and the remainder under PL 480 (Food for Peace) and Peace Corps programs. After 1972, US programs stressed training Brazilian in technology and physical and social sciences (in the United States), especially at the graduate level. Some 14,000 persons were trained by AID during this period, 22,000 from all US Government sources. In view of Brazil's impressive economic development and its increased ability to obtain loans and technical assistance from private and multilateral sources, US assistance programs were phased out in the 1970s, major AID activities in Brazil ended in 1979, and the Peace Corps program was ended in 1980. Currently, AID maintains a small advanced developing country program that emphasizes cooperation in science and technology and family planning and responds to endemic disease, emergencies, and natural disasters.

The United States is Brazil's most important commercial partner and largest investor. The US share of Brazilian trade averages 22%, and two-way trade amounted to $14.3 billion in 1988. The growing diversification of U.S.-Brazil trade has led to trade disputes. Brazilian trade practices, including prohibition of some imports and difficult import licensing procedures, market reserve requirements on computer products, and the lack of intellectual property protection (especially patents in certain areas)—led to frictions with the United States and other major trading partners. These culminated in 1988 and 1989, when the United States named Brazil in a number of formal trade action and took retaliatory steps against some Brazilina imports under US trade law. The US objective was to stimulate negotiations as well as action by the Government of Brazil to reduce the trade barriers in question. For its part, Brazil was critical of the United States for singling it out and of high US tariffs on products of interest to Brazil such as steel and orange juice. Efforts by both sides during the middle and latter part of 1989 began to reduce the tensions arising from these issues.

The agreements between Brazil and the United States include a treaty of peace and friendship; an extradition treaty; a joint participation agreement on communication satellites; and scientific cooperation, civil aviation, and maritime agreements. Brazil and the United States exchange professors under Fulbright and other academic programs and carry out university cooperation projects.

Principal US Officials

Ambassador—Richard H. Melton
Deputy Chief of Mission—Robert E. Service
Economic Counselor—M. Gordon Jones
Commercial Counselor—Kevin C. Brennan

Political Counselor—John F. Keane
Public Affairs Counselor (USIS)—Robert Jordan
Defense Attache—BG Joseph Stringham, US Army

The US Embassy in Brazil is located at Lote 3, Avenida das Nacoes, Brasilia, DF (tel. 061-321-7272, telex 061-1091). US Consulates General are in Rio de Janeiro and Sao Paulo. Consulates are at Porto Alegre and Recife. Branch offices of the US Information Service (USIS) and of the US and Foreign Commercial Service are located in all of these cities and Belo Horizonte. Consular agents are in Manaus, Sao Luis, Belem, and Salvador da Bahia. ■

Published by the United States Department of State • Bureau of Public Affairs • Office of Public Communication • Editorial Division • Washington, DC • October 1990
Editor: Juanita Adams

Department of State Publication 7756
Background Notes Series • This material is in the public domain and may be reprinted without permission; citation of this source is appreciated.

For sale by the Superintendent of Documents, US Government Printing Office, Washington, DC 20402.